

SANPETE COUNTY SPECIAL SERVICE DISTRICT #1
FINANCIAL STATEMENTS
DECEMBER 31, 2006

C O N T E N T S

	Page
INDEPENDENT AUDITOR'S REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
STATEMENT OF NET ASSETS	9
STATEMENT OF ACTIVITIES	10
BALANCE SHEET	11
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE	12
NOTES TO FINANCIAL STATEMENTS	13
REQUIRED SUPPLEMENTAL INFORMATION:	
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	21
BUDGETARY COMPARISON SCHEDULE	22
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	24
AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE	26

Kimball & Roberts

Certified Public Accountants

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Richfield, Utah 84701

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board Members
Sanpete County Special Service District #1
Manti, Utah 84642

We have audited the accompanying financial statements of the governmental activities of Sanpete County Special Service District #1, a component unit of Sanpete County, as of and for the year ended December 31, 2006, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sanpete County Special Service District #1's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the government activities of Sanpete County Special Service District #1 as of December 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2007, on our consideration of Sanpete County Special Service District #1's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 7 and 21 through 22, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

April 24, 2007
Richfield, Utah

Sanpete County Special Service District #1 Management's Discussion and Analysis

This discussion and analysis of Sanpete County Special Service District #1's (District) financial performance provides an overview of the District's financial activities for the year ending December 31, 2006. This report is in conjunction with the District's financial statements, which are part of this report.

The purpose of the Sanpete County Special Service District is to construct, repair, maintain roads, flood control facilities, water, sewage, drainage, garbage, street lighting, and snow removal within the District's boundaries.

Financial Highlights:

- The Sanpete County Special Service District #1 does not own any capital assets or have any long-term liabilities. All roads repaired or constructed in the course of special road construction projects become a part of the infrastructure of the County.
- At the close of the current year, Sanpete County Special Service District #1 reported ending Net Assets of \$451,645 of which \$350,000 was restricted for road and bridge projects.
- The District does not have any full-time employees and spent 2.17% on general government expenditures leaving 97.83% of the funds for special road projects. During 2006 the District expended \$908,497 on road projects.
- The District's mineral lease revenues increased 5.8% over 2005, or \$42,363. This increase in revenues allows the District to fund more road projects in the District.
- Expenditures for road projects were 98.68% of total expenditures in 2005 and 97.83% in 2006. The other general government expenses are for travel, postage, insurance and other operating expenses. Other expenses were 2.17% of total expenditures.

Using This Annual Report:

This discussion and analysis are intended to serve as an introduction to Sanpete County Special Service District #1. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements:

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and Liabilities, with a difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities present information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Governmental Funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balance of spendable resources available at the end of the year.

The district has one governmental fund, the general fund. The general fund at year end has unreserved fund balance of \$101,645, which is available to creditors and for use in future years budgets. Unreserved fund balance is 12% of total expenditures in the general fund.

Reporting The District As A Whole:

The District realizes revenues from several sources; 1) mineral lease revenues received from the State of Utah, 2) other grants from the State of Utah, passed through Sanpete County and 3) investment earnings.

Contacting The District:

This financial report is designed to provide the citizens with a general overview of the District's finances and to show accountability for the money it receives. If you have questions about his report or need additional financial information, contact Chairman, Bruce Blackham, P.O. Box 100, Manti, UT 84642.

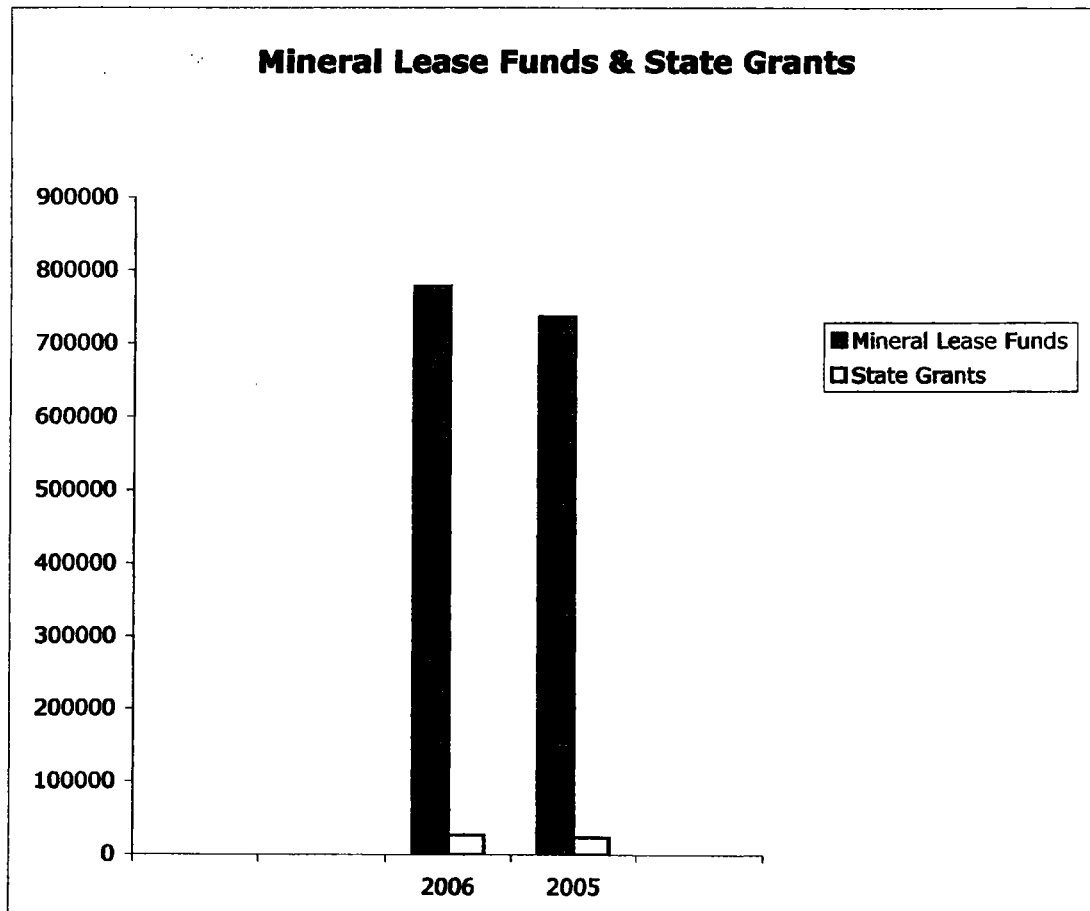
Condensed Financial Statements:

A comparative analysis is provided for 2006 and 2005.

	<u>2006</u>	<u>2005</u>		<u>2006</u>	<u>2005</u>
Assets:			Revenues:		
Current	512,533	532,665	Operating Grants	804,469	758,915
Non-Current	-	-	General Revenues	31,819	15,880
Total Assets	<u>512,533</u>	<u>532,665</u>	Total Revenues	<u>836,288</u>	<u>774,795</u>
Liabilities:			Expenditures:		
Current	60,888	-	Current	8,811	7,752
Long-Term	-	-	Capital	908,497	579,662
Total Liabilities	<u>60,888</u>	<u>-</u>	Total Expenditures	<u>917,308</u>	<u>587,414</u>
Net Assets:			Change in Net Assets	(81,020)	187,381
Restricted	350,000	140,000	Beginning Net Assets	532,665	345,284
Unrestricted	<u>101,645</u>	<u>392,665</u>	Ending Net Assets	<u>451,645</u>	<u>532,665</u>
Net Assets	<u>451,645</u>	<u>532,665</u>			

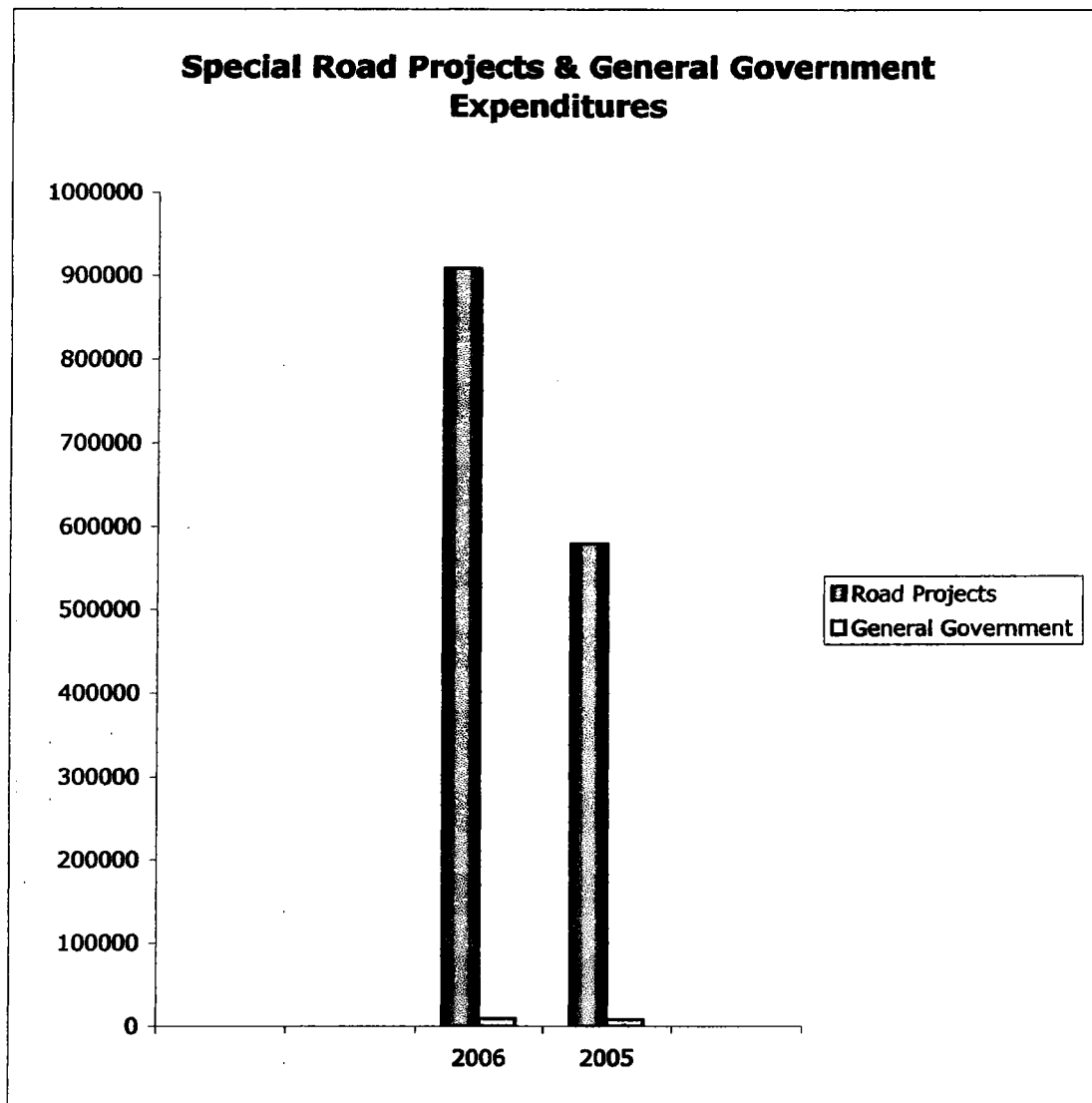
**Sanpete County Special Service District #1
Revenue - Two Year Comparison**

	2006	2005
Mineral Lease Funds	778,137	735,774
State Grants	26,332	23,141
Investment Earnings	31,819	15,880
Total	<u>836,288</u>	<u>774,795</u>



**Sanpete County Special Service District #1
Expenditures - Two Year Comparison**

	2006	2005
Road Projects	908,497	579,662
General Government	8,811	7,752
Total	<u>917,308</u>	<u>587,414</u>



BASIC FINANCIAL STATEMENTS

**SANPETE COUNTY SPECIAL SERVICE DISTRICT #1
STATEMENT OF NET ASSETS**

December 31, 2006

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Investments	283,223
Due from State of Utah	219,310
Prepaid Expenses	<u>10,000</u>
TOTAL ASSETS	<u>512,533</u>
LIABILITIES	
Liabilities	<u>60,888</u>
NET ASSETS	
Restricted:	
Restricted for Road Projects	350,000
Unrestricted	<u>101,645</u>
TOTAL NET ASSETS	<u>451,645</u>
TOTAL LIABILITIES AND NET ASSETS	<u>512,533</u>

The notes to the financial statements are an integral part of this statement.

**SANPETE COUNTY SPECIAL SERVICE DISTRICT #1
STATEMENT OF ACTIVITIES**

For The Year Ended December 31, 2006

		Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
	Expenses	Services	Grants/ Contributions	Changes in Net Assets
Functions/Programs:				Governmental
Governmental Activities:				Activities
Roads	917,308	-	804,469	(112,839)
TOTAL REVENUES	<u>917,308</u>	<u>-</u>	<u>804,469</u>	<u>(112,839)</u>
	General Revenues:			
	Unrestricted Investment Earnings			31,819
	Total General Revenues			<u>31,819</u>
	Changes in Net Assets			(81,020)
	Net Assets - Beginning			<u>532,665</u>
	Net Assets - Ending			<u>451,645</u>

The notes to the financial statements are an integral part of this statement.

**SANPETE COUNTY SPECIAL SERVICE DISTRICT #1
BALANCE SHEET
ALL FUND TYPES AND ACCOUNTS GROUPS**

December 31, 2006

	<u>General Fund</u>
ASSETS	
Current Assets:	
Cash and Investments	283,223
Due from State of Utah	219,310
Prepaid Expenses	<u>10,000</u>
TOTAL ASSETS	<u><u>512,533</u></u>
LIABILITIES AND FUND EQUITY	
Liabilities	<u>60,888</u>
Fund Equity:	
Reserved For:	
Road Projects	350,000
Unreserved	<u>101,645</u>
Total Fund Equity	<u><u>451,645</u></u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>512,533</u></u>

The notes to the financial statements are an integral part of this statement.

**SANPETE COUNTY SPECIAL SERVICE DISTRICT #1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND TYPE**

For The Year Ended December 31, 2006

	<u>General Fund</u>
REVENUE	
Mineral Lease Payments	778,137
State Grants	26,332
Interest	<u>31,819</u>
 TOTAL REVENUES	 <u>836,288</u>
 EXPENDITURES	
Special Road Projects	908,497
Administrative Expenses	4,816
Other Expenses	<u>3,995</u>
 TOTAL EXPENDITURES	 <u>917,308</u>
 EXCESS REVENUES OVER (UNDER) EXPENDITURES	 (81,020)
 FUND BALANCE - BEGINNING OF YEAR	 <u>532,665</u>
 FUND BALANCE - END OF YEAR	 <u><u>451,645</u></u>

The notes to the financial statements are an integral part of this statement.

SANPETE COUNTY SPECIAL SERVICE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Sanpete County Special Service District #1 conform to accounting principles generally accepted in the United States of America as applicable to governments.

The accompanying basic financial statements present the financial position and results of operations of fund types. The basic financial statements are presented for the year ended December 31, 2004.

The following is a summary of the more significant policies:

A. Reporting Entity

Sanpete County Special Service District #1, a component unit of Sanpete County, was created by adoption of a resolution to establish a special service district by the Sanpete County Commissioners on December 27, 1988 for the purpose of improving the county road system in Sanpete County. The Special Service District's Administrative Control Board consists of five (5) members, each of whom was appointed by the Board of Commissioners. The Board of Commissioners appointed the initial two members to serve two year terms and the remaining three members to serve four year terms. The Board members, at their initial meeting, elected a chairperson and a secretary to serve such terms as the board shall determine.

B. Government-Wide and Fund Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the District, the primary government, as a whole. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

SANPETE COUNTY SPECIAL SERVICE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

State revenue sources and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government. The District's only fund is the General Fund

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

SANPETE COUNTY SPECIAL SERVICE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government is depreciated using the straight line method over estimated useful lives.

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

SANPETE COUNTY SPECIAL SERVICE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Budgets and Budgetary Accounting:

Sanpete County Special Service District #1 has properly adopted required budgets for 2006. Changes to the adopted budget were properly made by resolution and public hearing of the District. The District follows the budgetary practices and procedures required by State law.

These requirements are summarized as follows:

1. A formal budget is adopted by the District.
2. The budget is a complete financial plan that identifies all estimated revenues and all appropriations for expenditures for the year. The budget must balance - that is estimated revenues and expenditures must equal.
3. On or before November 1, the District Manager prepares a tentative budget and files it with the Board of Trustees.
4. The tentative budget is a public record and is available for public inspection for at least ten days prior to public hearings held to consider adoption of the budget.
5. Notice of the scheduled public hearing is published at least ten days prior to the meetings.
6. Public hearing are held on the tentatively adopted budget. Members of the public may comment on the budget and recommend changes to the Board of Trustees.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits:

At year-end, the carrying amount of the Special Service Districts deposits was \$31,039 and the bank balance was (\$3,883). Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council.

SANPETE COUNTY SPECIAL SERVICE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash and investments as of December 31, 2006, consist of the following:

	<u>Fair Value</u>
Demand Deposits	31,039
Investments - PTIF	<u>252,184</u>
Total Cash and Investments	<u><u>283,223</u></u>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities - Unrestricted	<u>283,223</u>
Total Cash and Investments	<u><u>283,223</u></u>

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that District funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations.

Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

SANPETE COUNTY SPECIAL SERVICE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits and investments for local government are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

Custodial Credit Risk:

Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of December 31, 2006, \$0 of the local government's bank balances of (\$3,883) were uninsured and uncollateralized.

Credit Risk:

Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended December 31, 2006, the local government has investments of \$252,184 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investments mainly in the PTIF and by adhering to the Money Management Act. The act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

SANPETE COUNTY SPECIAL SERVICE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk:

Concentration of credit risk the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

NOTE 3 - ACCOUNTS RECEIVABLE - STATE OF UTAH

The accounts receivable from the State of Utah are Mineral Lease Funds for the last quarter of 2006, and were received after year's end. The total due from the State Mineral Lease Fund at year end was \$219,310.

NOTE 4 - RISK MANAGEMENT

Sanpete County Special Service District #1 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; public officials errors and omissions. The District has no liability insurance as of the date of the report.

NOTE 5 - RELATED PARTY TRANSACTIONS

During the year the District paid Sanpete County \$30,240 for a contracted road project and \$4,816 for administration services. The road projects were completed by the Sanpete County Road Department.

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

**SANPETE COUNTY SPECIAL SERVICE DISTRICT #1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

For The Year Ended December 31, 2006

Budgetary Comparison Schedules:

The Budgetary Comparison Schedules presented in this section of the report are for the District's General Fund.

Budgeting and Budgetary Control:

Budgets for the General Fund are legally required and are prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the District Board prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Board through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

Current Year Excess of Expenditures over Appropriations:

For the year ended December 31, 2006, spending for all funds and departments of the District was within the approved budgets.

**SANPETE COUNTY SPECIAL SERVICE DISTRICT #1
BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUND**

For The Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Mineral Lease Payments	1,200,000	1,200,000	778,137	(421,863)
State Grants	-	-	26,332	26,332
Reimbursements	302,500	302,500	-	(302,500)
Interest	25,000	25,000	31,819	6,819
Use of Fund Balance	264,000	264,000	-	(264,000)
Total Revenues	<u>1,791,500</u>	<u>1,791,500</u>	<u>836,288</u>	<u>(955,212)</u>
Expenditures:				
Road Projects	1,782,500	1,782,500	908,497	874,003
Administrative Costs	9,000	9,000	8,811	189
Total Expenditures	<u>1,791,500</u>	<u>1,791,500</u>	<u>917,308</u>	<u>874,192</u>
Excess Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>(81,020)</u>	<u>(81,020)</u>
Fund Balance - Beginning			<u>532,665</u>	
Fund Balance - Ending			<u>451,645</u>	



COMPLIANCE SECTION

Kimball & Roberts

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Board Members
Sanpete County Special Service District #1
Manti, Utah 84642

We have audited the financial statements of the governmental activities of Sanpete County Special Service District #1, a component unit of Sanpete County, as and for the year ended December 31, 2006, which collectively comprise Sanpete County Special Service District #1's basic financial statements and have issued our report thereon dated April 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sanpete County Special Service District #1's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sanpete County Special Service District #1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sanpete County Special Service District #1's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies, that adversely affects Sanpete County Special Service District #1's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Sanpete County Special Service District #1's financial statements that is more than inconsequential will not be prevented or detected by Sanpete County Special Service District #1's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Sanpete County Special Service District #1's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.


The Honorable Board Members
Sanpete County Special Service District #1
Page -2-

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanpete County Special Service District #1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Sanpete County Special Service District #1 in a separate letter dated April 24, 2007.

This report is intended solely for the information and use of management and board members and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

April 24, 2007
Richfield, Utah

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

The Honorable Board Members
Sanpete County Special Service District #1
Manti, Utah 84642

We have audited the accompanying financial statements of the governmental activities of Sanpete County Special Service District #1, a component unit of Sanpete County, for the year ended December 31, 2006, and have issued our report thereon dated April 24, 2007. As part of our audit, we have audited Sanpete County Special Service District #1's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2006. The County received the following major State assistance program from the State of Utah:

Mineral Lease (Department of Transportation)

The District also received the following nonmajor grant that is not required to be audited for specific compliance requirements: (However, this program was subject to testwork as part of the audit of Sanpete County Special Service District #1's financial statements.)

State PILT (Department of Natural Resources)

Our audit also included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Property Tax
- Other Compliance Requirements

The management of Sanpete County Special Service District #1 is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The Honorable Board Members
Sanpete County Special Service District #1
Page -2-

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Sanpete County Special Service District #1, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the year ended December 31, 2006.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

April 24, 2007
Richfield, Utah

SANPETE COUNTY SPECIAL SERVICE DISTRICT #1

MANAGEMENT LETTER

DECEMBER 31, 2006

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

April 24, 2007

The Honorable Board Members
Sanpete County Special Service District #1
Manti, Utah 84642

During our audit of the funds of Sanpete County Special Service District #1 for the year ended December 31, 2006, we noted certain areas needing corrective action in order for the District to be in compliance with state laws and regulations. These items are discussed below for your consideration.

COMPLIANCE:

Budgetary Compliance

Finding:

We noted during our tests of State compliance that the District has not submitted its adopted budget to the State Auditor's Office for 2004, 2005 and 2006.

Recommendation:

We recommend that the District prepare and submit budgets for 2004, 2005 and 2006 to the Utah State Auditor's Office as soon as possible.

Response:

We are currently working on these budgets and we will submit them to the Utah State Auditor's Office by the middle of June 2007.

Fidelity Bond Coverage

The District is required to have fidelity bond coverage equal to 8% of the budgeted revenue of the prior year.

Finding:

We noted during our audit that the present fidelity bond in force is \$29,000. Based on 2005's budgeted revenue, the District should have fidelity bond coverage of \$41,000.

The Honorable Board Members
Sanpete County Special Service District #1
Page -2-

Recommendation:

We recommend that the District increase its fidelity bond coverage sufficiently to be in compliance with State requirements. This may require increasing the bond to more than \$41,000 if 2006 budgeted revenues exceed 2005 budgeted revenues.

District's Response:

We will check the 2006 budgeted revenues and acquire a fidelity bond in an amount sufficient to be in compliance for 2006 and 2007.

We would like to thank Sanpete County Special Service District #1's personnel for the cooperation and assistance given to us during the course of our examination.

Respectfully submitted,


KIMBALL & ROBERTS
Certified Public Accountants

RGR/vl